



Client Categorisation Notice  
Retail Client

Vs 2.0 Oct 2015

Name of the Natural / Legal Person: .....

Address of the Retail Client: .....

**NOTICE OF CATEGORISATION AS A RETAIL CLIENT UNDER THE DIRECTIVE ON MARKETS IN FINANCIAL INSTRUMENTS (2004/39/EC)**

The European Union has introduced new legislation designed to harmonise investor protection and increase transparency in the investment markets in Europe. This legislation is the Directive on Markets in Financial Instruments ('MiFID') and member states in the European Economic Area<sup>1</sup> are required to implement it through their national laws by 1st November 2007. In Cyprus Law, this Directive has been incorporated with L144 (I)/2007, and it took effect on the 1st of November 2007.

## Client Categorisation

One of the main consequences of MiFID is that entities carrying on investment business are subject to specific regulatory requirements, including obligations to protect investors. A fundamental part of this regulatory framework is the requirement to categorise clients.

We at TOPFX LTD (hereinafter called the "Company") are required under MiFID to categorise you as Eligible Counterparty, Professional Client or Retail Client so that when carrying out business with you we can provide the level of information, services and protection that is appropriate to and consistent with your categorisation.

This Notice is to inform you that we will, on the basis of the information available to us, treat you as a Retail Client under MiFID in providing our services to you.

This categorisation will apply to all of our MiFID-related business with you unless we agree otherwise.

You may, however, request to be treated instead as a Professional Client provided the relevant criteria and procedure are fulfilled.

If we agree to categorise you as a Professional Client, you will waive some of the protections that is afforded by the conduct of business rules to this type of client under the regulatory system.

The criteria that will allow us to treat you as a Professional Client as well as the procedure are set out in the Annex to this Notice. It is your responsibility to inform us if we have not categorised you correctly and if any change occurs which could affect your categorisation as a Retail Client.

<sup>1</sup> The European Economic Area (EEA) comprises EU member states (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom) together with Norway, Iceland and Liechtenstein.

**ANNEX****1. Retail Clients**

Retail client is a client who is not professional client or an eligible counterparty. Retail client (Natural Persons and Legal Entities), will receive the greatest possible protection for investors.

**2. Professional Clients**

Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered a professional client, the client must comply with the following criteria:

**Section I: Categories of client who are considered to be professionals**

The following should all be regarded as professionals in all investment services and activities and financial instruments:

1. Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a European Community Directive, entities authorised or regulated by a Member State without reference to such Directive, and entities authorised or regulated by a non-Member State:
  - a) Credit institutions
  - b) Investment firms
  - c) Other authorised or regulated financial institutions
  - d) Insurance companies
  - e) Collective investment schemes and management companies of such schemes
  - f) Pension funds and management companies of such funds
  - g) Commodity and commodity derivatives dealers
  - h) Locals
  - i) Other institutional investors
2. Large undertakings meeting two of the following size requirements on a proportional basis:
  - balance sheet total at least: EUR 20,000,000,
  - net turnover at least: EUR 40,000,000,
  - own funds at least: EUR 2,000,000.
3. National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund (IMF), the European Central bank (ECB), the European Investment Bank (EIB) and other similar international organisations.
4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation

of assets or other financing transactions.

The entities mentioned above are considered to be professionals. They are however allowed to request non professional treatment and the Company may agree to provide a higher level of protection. Where the client of the Company is an undertaking referred to above, the Company must inform the client prior to any provision of services that, on the basis of the information available to the Company, the client is deemed to be a professional client, and will be treated as such unless the Company and the client agree otherwise. The client may request a variation of the terms of the agreement in order to secure a higher degree of protection.

It is the responsibility of the client, considered to be a professional client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a client who is considered to be a professional enters into a written agreement with Company to the effect that it shall not be treated as a professional for the purposes of the applicable conduct of business regime. Such agreement will specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

## **Section II: Clients who may be treated as professionals on request**

### **1. Identification criteria**

Clients other than those mentioned in section I above, including public sector bodies and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules.

The Company is allowed to treat any of the above clients as professionals provided the relevant criteria and procedure mentioned below are fulfilled. These clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in section I.

Any such waiver of the protection afforded by the standard conduct of business regime will be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the Company, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved.

The fitness test applied to managers and directors of entities licensed under European Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to the above assessment should be the person authorised to carry out transactions on behalf of the entity.

In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters,
- the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000,
- the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

## 2. Procedure

The clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- they must state in writing to the Company that they wish to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product,
- the Company will give them a clear written warning of the protections and investor compensation rights they may lose,
- they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, the Company is required to take all reasonable steps to ensure that the client requesting to be treated as a professional client meets the relevant requirements stated in Section II.1 above.

However, if clients have already been categorised as professionals under parameters and procedures similar to those above, it is not intended that their relationships with the Company should be affected by any new rules adopted pursuant to the Directive and legislation mentioned above.

The Company implements appropriate written internal policies and procedures to categorise clients. Professional clients are responsible for keeping the Company informed about any change, which could affect their current categorisation. Should the Company become aware however that the client no longer fulfils the initial conditions, which made him eligible for a professional treatment, the Company will take appropriate action.

## 3. Eligible counterparties

When the Company is authorised to receive and transmit orders, or/and execute orders on behalf of clients or/and to deal on own account, may bring about or enter into transactions with eligible counterparties without being obliged to comply with the obligations under Articles 19, 21 and 22(1) of the European Directive 2004/39/EK (or articles 36, 38 and 39(1) of L 144(l)/2007)) in respect of those transactions or in respect of any ancillary service directly related to those transactions.

- Article 36: Conduct of business obligations when providing services to clients
- Article 38: Obligation to execute orders on terms most favourable to the client
- Article 39 (1): implement procedures and arrangements which provide for the prompt, fair and expeditious execution of its client orders, relative to other client orders or its trading interests (client order handling rules)

Member States shall recognise as eligible counterparties:

- (a) Investment firms
- (b) Credit institutions
- (c) Insurance companies
- (d) UCITS and their management companies

- (e) Pension funds and their management companies
- (f) Other financial institutions authorised by a Member state or regulated under Community legislation or the national law of a Member State
- (g) Undertakings exempted from the application of the Law (L144 (I)/2007) under Article 3(2)(k) and 3(2)(l)
- (h) National governments and their corresponding offices including public bodies that deal with public debt
- (i) Central banks and supranational organisations

Furthermore the Company recognises as eligible counterparties member state undertakings, other than those referred above meeting pre-determined proportionate requirements, including quantitative thresholds. In the event of a transaction where the prospective counterparty is located in another member state, the Company will defer to the status of the other undertaking as determined by the legislation of the said member state in which that undertaking is established.

The Company may recognize an undertaking as an eligible counterparty if that undertaking falls within a category (1), (2) and (3) of section I of paragraph 2.

The Company may also recognise as eligible counterparties undertakings which fall within a category of clients who are to be considered professional clients in accordance with the test for compliance with the relevant criteria and procedures mentioned before. In such cases, however, the undertaking concerned shall be recognised as an eligible counterparty only in respect of the services or transactions for which it could be treated as a professional client.

Classification as an eligible counterparty shall be without prejudice to the right of such entities to request, either on a general form or on a trade-by-trade basis, treatment as clients whose business with the investment firm is subject to Articles 36, 38 and 39 of L144(I)/2007.

The Company, when it enters into such transactions with eligible counterparties, will obtain the express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty. This confirmation may be obtained either in the form of a general agreement or in respect of each individual transaction.

If an eligible counterparty requests treatment as a client whose business with the Company is subject to:

- a) Article 36: Conduct of business obligations when providing services to clients
- b) Article 38: Obligation to execute orders on terms most favourable to the client
- c) Article 39: Client order handling rules

of the Law, but does not expressly request treatment as a retail client, and the Company agrees to that request, the Company shall treat that eligible counterparty as a professional client.

If that eligible counterparty expressly requests treatment as a retail client, the provisions in respect of requests of non-professional treatment shall apply.

It is the responsibility of the client, considered to be eligible counterparty, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a client who is considered to be eligible counterparty enters into a written agreement with the Company to the effect that it shall not be treated as an eligible counterparty for the purposes of the applicable conduct of business regime. Such agreement will specify whether the eligible counterparty wish to be treated as a professional or retail client, either generally or in respect of a particular investment service or transaction, or type of transaction or product.

## 4. Request for Different Classification

- a) The Retail Client has the right to request the different classification of Professional Client but he/she/it will be afforded a lower level of protection. The Company is not obliged to deal with him/her on this basis.
- b) The Professional Client has the right to request the different classification of Retail Client in order to obtain a higher level of protection. The Company is not obliged to deal with the Client in this basis.
- c) The Eligible Counterparty has the right to request a different classification of either as a Professional Client or Retail Client in order to obtain a higher level of protection. The Company is not obliged to deal with the Client on this basis.

## 5. Protection of Clients

### **Retail Clients / Professional Clients**

Where the Company treats the client as a retail client, the client will be entitled to more protections under the law than it would be entitled to as a professional client. In summary, the additional protections retail clients are entitled to are as follows:

- a) A retail client will be given more information and disclosures with regard to the Company, its services and any investments, its costs, commissions, fees and charges and the safeguarding of client financial instruments and client funds.
- b) Under the law, where the Company provides investment services other than investment advice (in the form of personal recommendations) or discretionary portfolio management, the Company shall ask a retail client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the Company to assess whether the investment service or product envisaged is appropriate for the client. In case the Company considers, on the basis of the information received, that the product or service is not appropriate to a retail client, it shall warn the client accordingly. Please note that the Company is not required to assess appropriateness in certain cases specified by law.

The Company shall be entitled to assume that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional client.

Consequently, and unlike the situation with a retail client, the Company should not generally need to obtain additional information from the client for the purposes of the assessment of appropriateness for those products and services for which they have been classified as a professional client.

- c) When executing orders, the Company must take all reasonable steps to achieve what is called “best execution” of the client's orders, that is to obtain the best possible result for its clients.

Where the Company executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

When providing professional clients with best execution the Company is not required to prioritise the overall costs of the transaction as being the most important factor in achieving best execution for them.

- d) The Company must obtain from clients such information as is necessary for it to understand the essential facts about the client and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended in the course of providing the service of investment advice, or entered into in the course of providing a portfolio management service, satisfies the following criteria:
- i. it meets the investment objectives of the client in question;
  - ii. it is such that the client is able financially to bear any related investment risks consistent with his investment objectives;
  - iii. it is such that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

Where the Company provides an investment service to a professional client it shall be entitled to assume that, in relation to the products, transactions and services for which it is so classified, the client has the necessary level of experience and knowledge for the purposes of paragraph (iii) above. In addition, under certain circumstances, the Company shall be entitled to assume that a professional client is able financially to bear any investment risks consistent with its investment objectives.

- e) The Company must inform retail clients of material difficulties relevant to the proper carrying out of their order(s) promptly upon becoming aware of the difficulty.
- f) The Company is required to provide retail clients:
- i. with more information than professional clients as regards execution of orders, other than for portfolio management
  - ii. with periodic statements in respect of portfolio management activities carried out on their behalf, more frequently than for professional clients,
- g) Where the Company provides portfolio management transactions for retail clients or operate retail client accounts that include an uncovered open position in a contingent liability transaction, it shall also report to the retail client any losses exceeding any predetermined threshold, agreed between the Company and the client, no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non business day, the close of the next business day.
- h) If the Company provides an investment service other than investment advice to a new retail client for the first time after 1 November 2007, it must enter into a written basic agreement with the client, setting out the essential rights and obligation of the firm and the client.
- i) The Company shall not use financial instruments held by it on behalf of a client for its own account or the account of another client of the Company, without the client's prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism.
- j) Retail clients may be entitled to compensation under the Investor Compensation Fund for Clients of Investment Firms.



#### Eligible Counterparties

Where the Company treats the client as an eligible counterparty, the client will be entitled to fewer protections under the law than it would be entitled to as a professional client. In particular, and in addition to the above:

- a) The Company is not required to provide the client with best execution in executing client's orders;
- b) The Company is not required to disclose to the client information regarding any fees or commissions that the Company pays or receives;
- c) The Company is not required to assess the appropriateness of a product or service that the Company provide to the client;
- d) The Company is not required to provide the client with information about the Company, its services and the arrangements through which the Company will be remunerated;
- e) The Company is not required to provide the client with risk disclosures on the products or services that the client selects from the Company;
- f) The Company is not required to provide reports to the client on the execution of his/her/it orders.

## 6. General Information

The above information is based on the Markets in Financial Instruments Directive (MiFID) 2004/39/EC as well as the Investment Services and Activities and Regulated Markets Law of 2007 (L144(I)/2007). For more detail information you can visit the Cyprus Securities and Exchange Commission website at <http://www.cysec.gov.cy>

Further information on Company's Conflict of Interest Policy is available upon request from Company's offices at:

Tel.: + 357 25352244, Fax: + 357 25352266 or e-mail: [compliance@topfx.com](mailto:compliance@topfx.com)

#### Address:

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19 Stratigou Timagia  
3rd Floor  
3107 Limassol  
Cyprus, EU

Web: [www.topfx.com](http://www.topfx.com)

### REQUEST FOR RE-CATEGORISATION FROM RETAIL TO PROFESSIONAL CLIENT

**Warning:** The “Client Categorisation” document should be read before completing this form.

**Procedure for re-categorisation:** Please refer to “*Procedure*” (Section II.2) of the “Client Categorisation” document.

**Loss of protection of being categorised as professional:** Please refer to “*Protection of clients*” at paragraph 5 of the “Client Categorisation” document.

**Required criteria for re-categorisation:** Please refer to “*Identification criteria*” (Section II.1) of the “Client Categorisation” document.

Please answer [(YES), X = NO] the following questions and provide all supporting documents.

#### Criterion 1

Do you currently work or you have worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged? (In case the client is a legal entity this question refers to the person(s) authorised to carry out transactions on behalf of the legal entity.

#### Supporting documents

<input type="checkbox"/>	Letter for current or past employer(s) stating: <ul style="list-style-type: none"> <li>• Position(s) held</li> <li>• Duties and responsibilities of above position(s)</li> <li>• Period of term in above position(s)</li> </ul>
<input type="checkbox"/>	Copy of professional certificate for the provision of Investment services
<input type="checkbox"/>	OTHER (please provide brief description and attached relevant documents)

#### Criterion 2

Have you carry out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters?

#### Supporting documents

<input type="checkbox"/>	Account(s) with TOPFX LTD (existing clients)
<input type="checkbox"/>	Statement of account(s) with other Investment Firm(s) for the previous four quarters
<input type="checkbox"/>	OTHER (please provide brief description and attached relevant documents)

**Criterion 3**

Does the size of your financial instrument portfolio, defined as including cash deposits and financial instruments exceed EUR 500,000?

**Supporting documents**

<input type="checkbox"/>	Account(s) with TOPFX LTD (existing clients)
<input type="checkbox"/>	Recent statement of account(s) with other Investment Firm(s)
<input type="checkbox"/>	Recent statement of account(s) with Credit Institution(s)
<input type="checkbox"/>	OTHER (please provide brief description and attached relevant documents)

**Do you wish to be treated as a professional client:**

<input type="checkbox"/>	Generally? or
<input type="checkbox"/>	in respect of a particular investment service or transaction, or type of transaction or product? (please state for which investment service or transaction, or type of transaction or product)

I hereby confirm that to the best of my knowledge the above information is complete, true and accurate.

Name: .....

Position: .....

Company name (if applicable): .....

.....  
Signature

Date: ...../...../.....